

**PUBLIC DISCLOSURE**

MARCH 14, 2000

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**GAS AND ELECTRIC EMPLOYEES CREDIT UNION**

138 MAIN STREET  
MELROSE, MA 02176

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Gas and Electric Employees Credit Union prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated “Satisfactory ”**

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire assessment area in a manner consistent with its resources and capabilities. This examination was conducted utilizing three performance criteria for industrial institutions: 1) Loan to Share Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. Two geographically based criteria were not considered since the institution defines membership by affiliation rather than location.

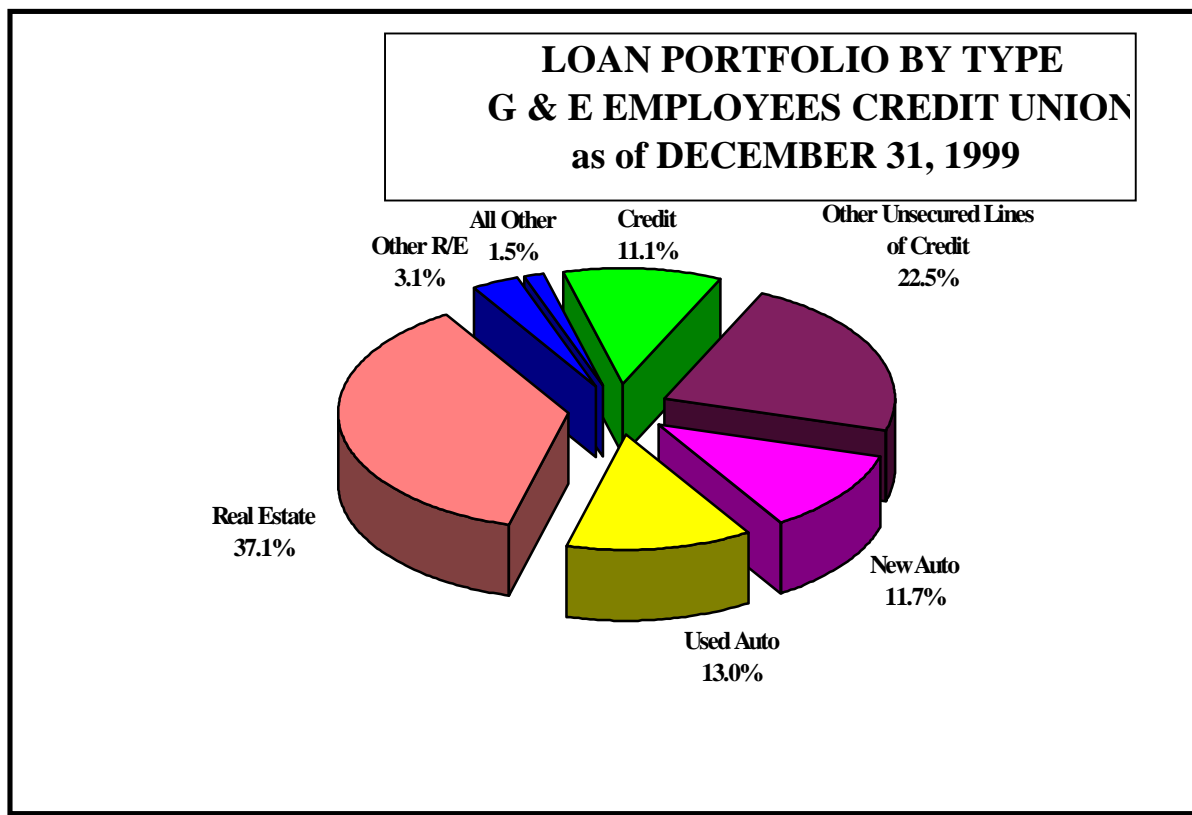
The credit union's lending activity moderately declined from June 1998 to December 1998; and as a result, the credit union's loan to share ratio also declined. However, in June 1999 there was a significant decrease in the loan to share ratio, which was attributed to share and deposit growth outpacing loan growth. A sample of 97 consumer loan originations for 1998 and 1999 were reviewed for the current examination period and based on an analysis of this sample, the credit union has shown a willingness to lend to applicants of various income levels. The credit union was found to meet satisfactory performance standards under the "Loan to Share Analysis", "Distribution of Credit among Different Income Levels" and "Fair Lending" criteria.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Gas and Electric Employees Credit Union is an industrial credit union which was chartered by the Commonwealth of Massachusetts in 1929. The credit union was established to serve the employees of the New England Electric System and the Boston Gas Company. As of December 31, 1999, the credit union had assets of approximately \$20.7 million with loans comprising approximately 49.1 % of all assets, or approximately \$9.7 million. The loan portfolio is composed of real estate loans, personal loans, new auto loans, used auto loans and lines of credit. Currently, real estate loans represent the largest percentage of the credit union's loan portfolio at 37.1 percent followed by auto loans at 24.7 percent.

The following chart illustrates the composition of the loan portfolio.



The credit union does not originate residential mortgage loans. However, credit union members seeking mortgage credit are referred to CUMEX or Peoples Corporation. Up until February, 1999, if a mortgage was approved, the credit union purchased the mortgage from the originating mortgage company if it conformed to the credit union's own guidelines. After that date, however, the credit union made the decision to cease purchasing mortgage loans.

The credit union operates two offices located at 138 Main Street, Melrose and 170 Medford Street, Malden. The main office is located in Melrose. Office hours are 8:00 AM to 4:00 PM, Monday through Friday and 9:00 AM to 12 noon on Saturdays. The credit union hours are extended until 7:00PM on Thursday evenings. The branch office is located in the Massachusetts Electric Company building located at 170 Medford Street in Malden. This office is open from 2:00 PM to 3:45 PM on Tuesday, Thursday and Friday. The credit union's office locations and hours of operation are considered convenient and accessible to its members.

Other than the credit union's small size and limited resources, there appear to be no significant financial or legal impediments, which would limit the credit union's ability to help meet the credit needs of its membership.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on February 2, 1998. That examination resulted in a "Satisfactory" rating.

### **Description of Assessment Area (Membership)**

Gas and Electric Employees Credit Union defines its assessment area as its membership, in accordance with the Massachusetts CRA Regulation, 209 CMR 46.41(8), which states "Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area". Gas and Electric Employees Credit Union has elected to identify its assessment area in this manner.

The credit union's membership (per its bylaws) is limited to those who are employed by the New England Electric System, The Boston Gas Company, and their families; also regular employees of the credit union, and their families, and five hundred (500) more. The credit union's total membership consists of 2,100 individuals.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

An analysis of Gas and Electric Employees Credit Union's net loan-to-share ratio was performed during the examination. The calculation incorporated four, semi-annual periods of the credit union's net loan to total share figures utilizing the NCUA (National Credit Union Administration) 5300 call reports. The ratio is based on the loan amount net of the allowance for loan and lease losses. This review included the period June 30, 1998, through December 31, 1999. The institution's average net loan-to-share ratio during this period was determined to be 62.8%.

The credit union's net loan to share ratio appears to be reasonable and is based on the credit union's asset size, financial condition and the credit needs of the membership.

The table below reflects loan to deposit ratios by semi-annual period.

### **SEMI-ANNUAL LOAN TO SHARE RATIOS**

<b>ENDING PERIOD</b>	<b>NET LOANS</b>	<b>SHARES</b>	<b>%</b>
6-30-98	11,213,787	16,100,800	<b>69.6</b>
12-31-98	10,854,124	16,450,495	<b>66.0</b>
6-30-99	10,105,298	18,254,746	<b>55.3</b>
12-31-99	10,047,382	16,648,606	<b>60.3</b>

Source: NCUA 5300 call reports

As the above table indicates, the average net loan to share ratio declined during the period June 1998 to June 1999 from 69.6 percent to 55.3 percent. This was due in part to attractive interest rates, which increased the volume of certificates of deposit. Additionally, in February 1999, the credit union stopped purchasing residential mortgage loans, which further impacted the ratio.

The ratio recovered during the six-month period ending December 1999 with an increase to 60.3 percent.

The following table illustrates the loan-to-share trends for comparable institutions.

<b>Gas and Electric Employees Credit Union Loan to Share Comparisons as of 6/30/99</b>	
<b>Institution</b>	<b>Loan to Share Ratio</b>
Greater Boston Credit Union	87.5 percent
Boston Globe Employees Credit Union	79.0 percent
Gas and Electric Employees Credit Union	60.3 percent
Brookline Municipal Credit Union	58.7 percent

Based upon the above information, the Gas and Electric Employees Credit Union's loan-to-share ratio is reasonable and is determined to meet the standards for satisfactory performance.

## **2. LENDING INSIDE AND OUTSIDE OF THE ASSESSMENT AREA**

As mentioned above, the Gas and Electric Employees Credit Union has elected to identify its assessment area as its membership and not according to geography, in conformance with the CRA regulation, 209 CMR, section 46.41(8). Consequently, an evaluation of credit extended inside and outside of the assessment area was not conducted.

## **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

An analysis of a sample of consumer loans extended among borrowers of different income levels was conducted. The credit union originated 444 consumer loans in 1998 and 419 consumer loans in 1999. A sample of 97 consumer loans was reviewed for this analysis.

The majority of the consumer loans sampled were originated within the Boston MSA (Metropolitan Statistical Area). Originations were categorized by the ratio of the applicant's reported income to the 1998 and 1999 estimated median family income of the Boston Metropolitan Statistical Areas (MSA). The median family income for the Boston MSA was \$60,000 for 1998 and \$62,700 for 1999. Income figures were based on estimated 1998 and 1999 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as income between 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

The analysis revealed that the highest number of originations over the two-year period (35.1 percent) was to middle-income borrowers, followed by moderate-income borrowers with 31.9 percent. Low-income borrowers accounted for 23.7 percent of all loans.

Refer to the following table.

**CONSUMER LOAN ORIGATION BY INCOME OF BORROWER BY NUMBER**

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	#	%	#	%	#	%
Less than 50%	12	25.0	11	22.5	23	23.7
50% - 79%	16	33.3	15	30.6	31	31.9
80%-119%	16	33.3	18	36.7	34	35.1
120% and over	4	8.4	5	10.2	9	9.3
<b>TOTAL</b>	<b>48</b>	<b>100%</b>	<b>49</b>	<b>100%</b>	<b>97</b>	<b>100%</b>

Source: In-house files for 1998 and 1999.

An analysis was also performed by dollar amount. This analysis indicates that a fairly equal proportion of loan dollars were granted to middle-income and moderate-income borrowers with 34.3 percent and 34.2 percent respectively. Low-income borrowers received 19.2 percent of all loan funds.

Refer to the following table.

**CONSUMER LOAN ORIGATION BY INCOME OF BORROWER**  
**BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	\$000's	%	\$000's	%	\$000's	%
Less than 50%	77	16.4	90	22.5	167	19.2
50% - 79%	176	37.3	122	30.5	298	34.2
80%-119%	160	34.0	139	34.8	299	34.3
120% and over	58	12.3	49	12.2	107	12.3
<b>TOTAL</b>	<b>471</b>	<b>100%</b>	<b>400</b>	<b>100%</b>	<b>871</b>	<b>100%</b>

Source: In-house files for 1998 and 1999.

It should be noted that consumer loans typically consider the income of only one borrower while the analysis is based on a comparison to the median family income for the MSA. Therefore, the figures above tend to be somewhat inflated especially in the low and moderate-income categories. However, the significant percentages of originations among middle and upper-income borrowers are reasonable given the salary structure of the Gas and Electric Company.

The credit union also purchased 15 loans totaling approximately \$1.7 million from CUMEX Mortgage Corporation during 1998 and 1999. A review of the purchased mortgage loan files was conducted to determine the ratio of the applicant's reported income to the estimated 1998 and 1999 median family incomes of the Boston Metropolitan Statistical Area (MSA). Of the 15 mortgage loans purchased by the credit union, 1 or 6.7 percent was to a borrower of low income and 3 or 20.0 percent were to borrowers of moderate income. The remaining 11 loans or 73.3 percent were to borrowers of middle and upper income.

Based on the information included in the tables above and the analysis of purchased mortgage loans, the credit union has shown a willingness to lend to applicants of various income levels. The distribution of credit among borrowers, given the characteristics of the credit union's membership and the above information, reflects an acceptable distribution among individuals of different income levels, including those of low and moderate-income. Therefore, the distribution of credit among borrowers of different income levels meets the standards for satisfactory performance.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOAN**

According to CRA regulations, credit unions whose membership by-laws provisions are not based on residence are permitted to designate their membership as their assessment area. Therefore, since the Gas and Electric Employees Credit Union has defined its assessment area as its membership, as opposed to a geographical area, an evaluation of credit extended within defined geographic areas was not conducted as such an analysis would not be meaningful.

#### **5. REVIEW OF COMPLAINTS/FAIR LENDING**

Gas and Electric Employees Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

#### **FAIR LENDING POLICIES AND PRACTICES**

The following details the credit union's fair lending performance as it correlates to Regulatory Bulletin 2.3-101, the Division's Fair Lending Policy.

##### **Staff Training**

The credit union has taken reasonable steps to train its staff in matters pertaining to Fair Lending and CRA given its resource limitations.

##### **Staff Composition**

As of June 23, 1999, the credit union had a total of 6 full-time employees and 1 part-time employee. The credit union's staff includes one minority employee. The credit union has one employee who is bi-lingual in French and Creole.

The credit union's member service representatives (MSRs) are responsible for originating and purchasing loans. The MSRs are not compensated on a commission basis or in any manner that would discourage the origination of loans for smaller dollar amounts.

##### **Outreach and Marketing**

The credit union's Board of Directors and management review the credit union's lending policy, practices and products to ensure that the credit union is meeting the credit needs of its membership.

The credit union's marketing program includes monthly and quarterly statement stuffers, lobby brochures, direct mail brochures and various promotional flyers. The credit union publishes a quarterly newsletter "G & E CU Review" which informs its membership of new



products, upcoming lending programs and general information pertaining to the credit union's activities. No portion of the membership appears to be excluded from these efforts.

### **Flexible Products and Underwriting**

The credit union's credit products are directly affected by resources and limited product offerings.

### **Credit Education**

Gas and Electric Employees Credit Union participates in credit education programs with Consumer Credit Counseling of Massachusetts.

### **Counseling**

The credit union's staff provides a listing of credit counseling agencies to borrowers who have been denied credit, and borrowers who are experiencing delinquencies in their loans

### **Second Review Procedure**

The credit union has a second review policy in place. The credit committee reviews all declined and withdrawn loan applications. Prior to the issuance of an adverse action notice the committee examines the application to ensure that the lending procedures have been performed in an equitable and non-discriminatory manner.

### **Internal Control Procedures**

The Treasurer is responsible for conducting regular reviews for compliance with applicable statutes and regulations on ECOA, CRA and Fair Lending.

### **Conclusion**

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## **GAS AND ELECTRIC EMPLOYEES CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MARCH 14, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.